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CENTRAL INTELLIGENCE AGENCY
OFFICE OF CURRENT INTELLIGENCE

DAILY DIGEST

Date: JUL 11 1951

- NOTE: 1. This summary of significant reports has been prepared primarily for the internal use of the Office of Current Intelligence. It does not represent a complete coverage of all current reports in CIA or in the Office of Current Intelligence.
2. Comments represent the preliminary views of the Office of Current Intelligence.
3. Marginal letter indications are defined as follows:
- "A" - items indicating Soviet-Communist intentions or capabilities
 - "B" - important regional developments not necessarily related to Soviet/Communist intentions or capabilities
 - "C" - other information indicating trends and potential developments

NAVY
review
completed.

DOS
review
completed

DIA
review(s)
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PACOM
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SECTION 1 (SOVIET)

"B" GENERAL. Indication Reds Estimate Proposed Buffer Zone May Obstruct Korean Settlement. Communist proposals for a "peaceful" settlement in Korea are cessation of hostilities, withdrawal of opposing forces and the establishment of a buffer zone of 10 kilometers on either side of the 38th Parallel. [REDACTED]

[REDACTED] COMMENT: An indication that the Communists estimate that the proposed buffer zone might constitute an obstacle in current negotiations was contained in a 4 July broadcast from Warsaw. In this commentary, Radio Warsaw stated that although the US agreed to cease-fire negotiations because of its "hopeless situation" in Korea, already there were indications that it "intends to sabotage" the talks. Cited as one proof of this allegation was the US intention to "create a buffer zone, not on both sides of the 38th Parallel, but only on the northern side."

"B" USSR. Soviets Celebrate Annual Aviation Day. Soviet Air Force Day, called by Pravda "the favorite festival of our people," was celebrated on 8 July in what was described as a spirit of new achievements on all the broad fronts of Communist construction. Allusion was made to the self-sacrificing work of the Soviet people in mines, collectives, machine-tractor stations and state farms. The enthusiastic start of construction on the new hydroelectric stations and canals on the Volga, Dnieper, Don and Amur Darya was noted. Aviation Day was marked as the occasion for honoring "the glorious Stalin Falcons," the guardians of the sacred frontiers of the socialist motherland and the peaceful creative labors of the people. [REDACTED] COMMENT: It is of interest to note that publicity did not confine itself solely to the progress purportedly realized by Soviet aviation, but included references to economic, agricultural and industrial achievements both passed, current and planned for in the future.

"B" EASTERN EUROPE. RUMANIA-BULGARIA. Premiers Reported as Deprived of Powers. According to a newspaper article, Vulko Chervenkov and Petru Groza, the Premiers of the Communist Governments of Bulgaria and Rumania, "are reliably reported to have been relieved of all their executive functions by their Soviet masters," although still retaining office. The article states that the powers of Groza's office are now exercised by a special committee of the Rumanian Communist Party Politburo under the direction of the Soviet Embassy in Bucharest. The powers of the Bulgarian Premier are reportedly held by Georgi Chankov, labeled as "probably the most important party member in Bulgaria today." [REDACTED]

[REDACTED] COMMENT: Both Chervenkov and Groza have regularly been the subject of purge rumors since their "elections" as Premiers. Chervenkov attained his position as successor to Dimitrov in both the Bulgarian Government and Party because he is a long-standing Communist of Bulgarian origin, has little or no personal ability and no personal following among Bulgarian Communists, and is therefore completely dependent on Moscow for survival. Since he has all the necessary qualifications to be a satisfactory Soviet "front" in Bulgaria and became such over the heads of far more able Communists such as Chankov, it is likely that Chervenkov will remain as

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a figurehead. More able Bulgarian Communists will try to implement unpopular Kremlin edicts and periodically be picked off for alleged shortcomings. In Rumania, the position of Premier has been filled by Groza, an opportunistic non-Communist, since 1945. Groza's position as Premier has always been without influence in the Rumanian Government. He will probably continue in office until such time as the Kremlin chooses to select a subservient Communist of the Chervenkov calibre to end the Party power struggle in which Pauker, Gheorgiu-Dej, Chisinevski and others are involved.

"A" CURRENT COMMUNISM. Communists Push Western Participation in Berlin Youth Festival. Guy De Boysson, French leader of the World Federation of Democratic Youth (WFDY), reportedly claims that 2500 youths from the US and 3200 from Latin America "of all political, religious and pacifist tendencies" will attend the Berlin Youth Festival in August. Should Bonn Government prohibit passage of Western youth delegations through Western Germany, it has been arranged to take them in Soviet and Polish ships to Stettin or by plane to Prague. Special attention will be given youths eligible for military service, some of whom will be invited to visit Moscow and other satellite capitals, including Peking, where they will be utilized to disseminate the alleged pro-Soviet outlook of American youth and to give assurance that "your American soldiers will never fight the Soviet Union."

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Since there are no formal WFDY or IUS (International Union of Students) affiliates in the US, a special Committee for World Youth Friendship and Cultural Exchange was recently formed to organize American participation in the Berlin Festival. While these figures of American attendance are believed to be exaggerated, no effort or money (reported \$50 million) is being spared by the Communist Party to attract masses of youth and to make the Festival appear non-partisan and broadly representative. Non-Communist student groups in every country have been invited, some of which have warned their membership of the political nature of the festival although the Communists have utilized the device of publishing an appeal from one member to imply adherence of the group. Another ruse has been to persuade outstanding athletes to join in order to create the illusion that the Summer Games concurrent with the Festival are non-political contests. Prominent public figures have been used to imply government support, as in Italy where 69 mayors, professors, and doctors sponsor the Festival.

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SECTION 2 (EASTERN)

"C" GREECE. Civil Servants Strike Continues. The US Embassy in Athens reports that the civil servants strike which began on 7 July continues in Athens and Piraeus, and is apparently effective throughout the country. The strikers are not giving credence to Government threats that they may be discharged or not paid for the strike time. The newspapers have been generally favorable to the strikers and critical of the government, and this may reflect public opinion. **COMMENT:** The strikers are demanding a 50% increase in wages; so far Prime Minister Venizelos has turned a deaf ear on these demands. According to press reports Venizelos has indicated that he would draft the strikers, and place them under military control. About 100,000 are reported to be currently idle. The present situation will increase the discouragement felt by Venizelos and may further promote Greek instability.

"A" IRAN. Communists Demonstrate in Tabriz. The US Consulate in Tabriz reports that a pro-Communist "Partisans of Peace" demonstration on 6 July organized by four agitators from Tehran drew about 2000 jobless and laborers. Speakers, claiming this would be the first of a series of meetings, attacked US and UK "aggression" in Korea, and recalled the "murder of their friends by the Iranian Army" when the Soviet-supported Azerbaijan "democratic" regime collapsed in December 1946. Thus US Consulate in Tabriz notes that this is the first open support given even indirectly to the exiled "democrats."

COMMENT: The open support by the Peace Partisans of the Soviet-sponsored Azerbaijan Democrats, when considered together with the more aggressive tactics used by Communist front groups in recent demonstrations in Tehran, suggests that the Communists are planning to employ a more vigorous policy in Iran.

"B" IRAN. Iran Requests US Export-Import Bank Loan. The US Embassy in Tehran reports that the Minister of Roads stated on 8 July that he had been deputized to say that Prime Minister Mossadeq wished to accept the US Export-Import Bank loan. The Minister of Roads said that the short form of the agreement, settled on in April, was satisfactory. He wished to be reassured that all US personnel would be paid for under Point Four because of the current Iranian distaste for paying foreign experts. Busheri stated that the loan would be discussed in the Council of Ministers on 8 July, and would probably be presented to the Majlis on 10 July.

COMMENT: The Export-Import Bank loan has long been a controversial issue in Iranian-US relations. Former Prime Minister Razmara refused to submit the loan to the Majlis for ratification on the grounds that \$25 million was an inconsequential sum and that the loan would not be approved by the Majlis. That Prime Minister Mossadeq is now ready to accept US aid appears to stem from two factors: (1) he has demonstrated by his treatment of the Anglo-Iranian Oil Company that he is not being pushed around by foreigners, and can therefore afford to accept a loan from the US and (2) he is feeling the financial pressure which will be increasing as long as Iran is receiving no

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income from the oil. While the Export-Import Bank loan offer has never been retracted by the US, its acceptance under present conditions by Iran and its implementation by the US would have far-reaching repercussions in the UK.

"C" BURMA. UK Official Expresses Suspicion of Burmese CinC. A representative of the UK Foreign Office recently informed an officer of US Embassy London that his Government had filled most of Burma's requests for military equipment. Requests for small arms, however, had been cut as the UK feared they had been padded and that the excessive amount might be held under the personal control of the Burmese CinC Ne Win

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"C" INDOCHINA. Viet Minh Threat in Western Tonkin. The military situation in Tonkin is generally quiet. Of the five Viet Minh divisions, one is to the north of the delta at the important border post of Langson, two are disposed along the southern leg of the delta, while the other two are located in the area of the western apex of the delta. These last two divisions are considered by French G-2 to pose a threat to French L/C between Hanoi and important cities to the west and south. COMMENT: There have been earlier reports that the next Viet Minh action would be directed against the western part of the delta.

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"B" CHINA. Burmese Ambassador's Views on Communist China. U Myint Thein, Burmese Ambassador to Communist China and previously to Nationalist China, who departed Peiping in mid-June, has been interviewed by the US Consul General in Hong Kong. The Ambassador offered the opinions that (1) Peiping "really would like" to end the Korean fighting, as the regime has taken a "heavy beating" and finds it "increasingly difficult" to explain the inadequacy of Soviet aid, but (2) Peiping is unlikely to agree to any terms not providing for withdrawal of UN forces; (3) the regime is "firmly established in power," but (4) Peiping will probably be too busy with internal reconstruction for the next few years to devote much energy to furthering Communist aims in Southeast Asia; and (5) the Indian Ambassador, Panikkar, has become "morose and abstracted," partly as a result of having been "completely misled" regarding Peiping's policy toward Tibet. COMMENT: The Burmese Ambassador, who predicted Chinese intervention in Korea, has been generally reliable. It is not known on what evidence the first of the Ambassador's opinions is based. However, Peiping's propaganda for the past three weeks has provided strong evidence that Peiping will not modify its basic original demand for withdrawal of all foreign forces from Korea. Almost all sources agree that the Peiping regime is stable, in the sense that internal opposition forces are not capable of challenging its authority in any significant area. The Ambassador's fourth point appears doubtful, as Peiping has demonstrated in Korea that it places the advancement of international Communism above its domestic objectives. Other sources have reported Panikkar's increasing alienation from the Peiping regime.

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"B" CHINA. Indications of Chinese Communist Preparations for Indochina Invasion. The continued presence of some 200,000 Chinese Communist troops within easy invasion distance; the movement of the majority of Vietminh units southwest of the Tonkin delta; a Vietminh order discontinuing supply shipments from Hainan which indicates a possible sufficiency of stockpiling in the Tonkin area; and the continued development and completion of transportation facilities in areas bordering Indochina are cited in a Saigon dispatch from the US Minister as indications of Chinese Communist preparations for an invasion of Indochina in the near future.

COMMENT: The Chinese Communist potential to invade Indochina without warning has been generally recognized since January 1951. The movement of Vietminh units to the south has been previously reported and suggests the possibility that the northern area has been designated as a Chinese responsibility. Dwindling of supplies from Hainan has also been ascribed to the effectiveness of French Naval interception and the development of Chinese inland communications with the border regions. While the probability of a Chinese Communist invasion of Indochina might be enhanced by a Korean settlement, present evidence does not show any accelerated build-up for such an invasion.

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"B" Forty-three Submarines Alleged in Dairen Area. Twenty-four submarines were flying the Chinese Communist flag in Dairen harbor in mid-May and 19 "other Russian" submarines were training near Dairen, according to the Chinese Nationalist Military Attache to Korea. The US Naval Attache evaluates this report as possibly true in view of the reported expansion of the Chinese Communist navy.

COMMENT: Forty-three submarines is appreciably in excess of the number previously identified in the Dairen area.

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"C" CHINA. Soviet Tanker Approaches Tsingtao. US naval patrols in the Japan Sea sighted the Soviet tanker SOVETSKAYA NEFT, 8228 gross tons, coming from the Vladivostok area on 21 and 23 June. This same tanker was observed on 7 July heading for Tsingtao. [REDACTED]

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[REDACTED] COMMENT: The USSR has employed at least four tankers to deliver oil to Communist China so far in 1951. These tanker deliveries are an important source of supply to Communist China which has been virtually dependent on Soviet oil since the Western embargo of July 1950.

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SECTION 3 (WESTERN)

"B" GERMANY. Allied-Soviet Talks in Berlin Reach Deadlock. Allied and Soviet experts, in a seven-hour meeting on 9 July in Berlin, were unable to reach agreement on their consideration of present Berlin trade problems. The talks were characterized by the firm stand of the Allied delegates in insisting that current Soviet restrictions against West Berlin's trade be dropped before further discussions take place. The Soviet delegation continued to maintain its right to impose the restrictions. The USSR's invitation to further talks on 17 July was not accepted by the Allies pending receipt of further instructions.

COMMENT: The present Soviet restrictions presumably were applied to speed the signing of the interzonal trade pact between East and West Germany. Although the Germans have initialled this pact, the Allies will not permit it to take effect until the matter of the Soviet restrictions in Berlin is settled. These restrictions, in effect off and on since mid-May, have resulted in sharply reducing shipments from West Berlin and could, if tightened further, result in choking off most of this vital flow of goods. It is generally felt that the USSR would not be willing to impose such a blockade at this time, because it would result in the stoppage by the Allies of needed shipments of goods to East Germany. Nevertheless, Soviet insistence on its right to impose the restrictions, and charges of Western violation of the 1949 agreements lifting the blockade, may indicate that the USSR will continue the present haggling. This would serve to maintain pressure on the West and to weaken the economy and "show-window" effect of West Berlin in the center of the Soviet zone, particularly at the time of the World Youth Festival during August in East Berlin.

"C" EAST GERMANY. SED Membership Screening Program Nearly Completed. The screening of membership of the Socialist Unity Party (SED, Communist) in East Germany is expected to be completed by the end of July. According to SED officials, the screening program revealed many "hostile and corrupt" elements within the party. Farm elements are singled out for particular criticism, and reportedly SED leaders are considering taking action against the wealthier farmers by imposing particularly high delivery quotas and taxes on all farmers owning more than 50 hectares of land.

COMMENT: The criticism of farm elements is probably an invented excuse for increased taxation of wealthier farmers. Previous reports have revealed SED dissatisfaction with the progress of the screening program, and criticism of the examining commissions for an excessive tendency to forgive transgressions instead of prescribing punishment.

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"B" SWITZERLAND-USSR. Swiss Skeptical of Validity of Soviet Peace Proposals.
The conservative Swiss newspaper the "Journal de Geneve" analyzes the current Soviet peace offensive as a recurring tactic designed to lull the USSR's adversaries to sleep. The Soviet Union wishes to break the

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rhythm of western recovery, disrupt western solidarity, and slow down Western rearmament which is reducing the military imbalance between East and West. Current Soviet peace proposals have been advanced at the most propitious moment to take advantage of the strained relations between the US and Britain. [REDACTED] COMMENT: The views of the "Journal de Geneve" concerning reasons for the Soviet peace proposals are probably shared by the overwhelming majority of the Swiss public and by the government.

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"C" UNITED KINGDOM. No Shift Seen in British Policy toward Iran. Press reports from Abadan reveal that the acting AIOC manager, Alex Mason, has disclosed decisions to reduce the pace of evacuation of British personnel in Iran, and to keep one of the company's ten distillation units in operation "indefinitely" to meet Iranian domestic needs. Observers in Abadan reportedly regard these decisions as indicative of an important British policy shift in the dispute with the Iranian Government. [REDACTED] COMMENT: The reported "decisions" are not incompatible with recent London policy statements by Foreign Secretary Morrison, who has had to meet Parliamentary criticism of British policy in Iran without committing the government to a position which might limit freedom of action in the rapidly developing crisis. The government has repeatedly stated its desire to keep AIOC personnel on the job as long as possible without jeopardy to their physical safety. The British now believe it will be possible to keep operating at the present rate of 20% of capacity for six weeks, and the decision to keep one cracking unit in operation is scarcely likely to prevent an early Iranian economic collapse, which the UK anticipates.

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"B" DENMARK. Concern Over East-West Trade Restrictions. The Danish Ambassador intends to inform the Department of State that the embargo on the export of strategic goods has resulted in greater harm to Denmark than to the Soviet orbit. Since the Danes feel that US policy appears to be assuming the character of economic warfare, the government thinks that decisions should be made on the basis of frank multilateral discussion. [REDACTED] COMMENT: The Danes fear that all-out economic warfare will seriously disrupt the Danish economy, which is dependent upon Polish coal [REDACTED] Moreover, they inwardly feel that such a policy increases the inevitability of war.

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"C" BRITISH WEST INDIES. Current Labor Unrest. The current labor unrest in the British West Indies, an area of considerable significance in view of its strategic materials, defense sites, and command over sea routes, is inimical to US security interests. Recent disturbances in Trinidad, Grenada, and Antigua involving strikes and other acts of violence and sabotage have arisen from the fact that many workers, subjected to the impact of US ideas and higher standards as a result of their employment experiences during the war, have awakened to the realization that perhaps they are entitled to better conditions.

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This general awakening on the part of labor has been superimposed upon numerous existing adverse economic conditions which include high population pressure on limited resources, extremely poor living conditions, very low wages, inadequate housing, a medieval attitude on the part of planters and merchants, a concentration of large estates in the hands of a wealthy few and absentee ownership. This background situation has given rise to such politically ambitious labor leaders as Bustamante, Butler, and Gairy who, avowedly expressing the smouldering grievances of their respective peoples, have in point of fact aroused class jealousy, hatred, and even racial feelings. The economic distress of these islands has made them a potentially fertile field for Communist propaganda, although so far there appears to have been very little Communist effort or success. Whether or not government officials, landowners and labor leaders can reconcile their differences and improve conditions so as to lessen the susceptibility of this area to successful Communist infiltration is obviously the crucial question. Regardless of any immediate labor settlements in the near future, the basic adverse economic conditions will remain and there will probably be unrest for some time to come.

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11 July 1951

SECTION 1 (SOVIET)

25X1 "A" USSR. The Soviet Union Allegedly Has Returned Iranian Gold. US Embassy Moscow has been informed by a reliable friendly diplomat that the USSR has returned the gold balance (\$12.6 million) due Iran at the end of World War II. In light of the Iranian Government's need for revenue to replace oil royalties, the Embassy feels that such a move on the part of the USSR, if true, is designed to stiffen the Iranian Government's attitude on the oil issue. [redacted] COMMENT: There is no confirming evidence that the USSR has actually returned or agreed to return the gold to Iran. Recent Iranian press rumors of an agreement were flatly denied on 6 July by a member of the Iranian delegation currently conducting financial talks in Iran with the USSR. However, if Moscow decides to actively exploit the oil crisis, the settlement of Iranian financial claims against the USSR would, in view of increasing Iranian financial difficulties, be a particularly opportune gambit.

SECTION 2 (EASTERN)

25X1 "C" IRAN. German Oil Technicians Reportedly Ready to Go to Iran. The US Embassy in Tehran reports that as a result of newspaper advertising in Hamburg, applications by Germans interested in employment in the Iranian oil industry have reportedly been coming in at the rate of twenty per day. The German Federal Government has formally discouraged Germans from accepting such appointments, and the UK High Commissioner has been instructed by his Government "to take all possible steps in consultation with his colleagues and with the German authorities to prevent German technicians from going to Iran". The US and French High Commissioners have supported the British efforts to discourage Germans from leaving for Iran, but are aware that their efforts will not be entirely effective. [redacted]

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25X1 COMMENT: Radio Tehran has reportedly already commented on the impending arrival of both German or US technicians. However, in view of the scarcity of available German technicians, and because of the active interest of the West in discouraging them from accepting such offers, it is doubtful that Iran will get many German or US technicians.

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"B" PHILIPPINES. Romulo Considering Resignation Over Japanese Reparations Issue. Foreign Affairs Secretary Romulo is bitter in his denunciation of the reparations clause of the Japanese peace treaty and says he does not see how he can face the country if he accepts the wording of the present draft. He told US Minister-Counselor Harrington that he is seriously considering resigning and will speak to President Quirino as to the advisability of such action. US Ambassador Cowen suggests that should Romulo run for the Senate in the November elections, he might find the reparations question an ideal issue for a campaign and may believe a spectacular resignation would enhance his popularity at the polls. [REDACTED] **COMMENT:** The

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reparations clause of the current Japanese peace treaty does not specify reparations payments but does bind Japan to enter into bilateral negotiations following the signing of the treaty with the aim of providing limited compensation for war damage. Both Romulo and President Quirino reluctantly agreed to such a clause in June when US representative Allison was in the Philippines. Romulo, however, having publicly taken so strong a stand on the reparations issue, probably feels it necessary to make a gesture of disapproval. A threatened or actual resignation may seem politically appropriate, particularly if he should run for the Senate in November.

"B" INDOCHINA. Impending Replacement of De Lattre Reported. The US Consul in Hanoi quotes an absolutely reliable source that there is "talk" among officers of the French General Staff in Indochina that General De Lattre will not return from his leave in France later in the summer, and that he may be replaced by General Catroux. [REDACTED] the General is being criticized by certain circles in the French Government for unnecessarily heavy spending. The Consul also recounts a number of reports concerning De Lattre's increasingly eccentric and egocentric behavior, particularly since the death of his son in late May. [REDACTED] **COMMENT:** Rumors of De Lattre's developing neurotic mood and the possibility of his replacement have been reported earlier. General Catroux served before the war as Governor General of Indochina and is now acting as De Gaulle's director of publicity. He is one of France's foremost generals and is a skilled negotiator, having at one time served as French Ambassador to the USSR.

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SECTION 3 (WESTERN)

"B" FRANCE. French Foreign Office Official Urges Concentration on Main NATO Objectives. The US Embassy in Paris reports the views of an influential Foreign Office official, friendly to the US, on the position of the NATO nations following Malik's peace proposal. These views, which are under discussion at the top level in the Foreign Office, are expected to have an important influence on the foreign policy of the next French Government. This official stated: (1) "the Malik proposal and the Soviet willingness to have hostilities cease in Korea (at least for the present) are solid and

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satisfying evidence of the correctness of the policies pursued by the West"; (2) since the USSR's new "peace aggression" aims to arrest and even reverse the trend toward an East-West military balance, an urgent need exists both to strengthen support for the major tasks of rearmament and to avoid introduction into NATO deliberations of matters "which can diminish or diffuse such support ". The Foreign Office official believes that the "major indispensable task of NATO" at present, aside from achieving the rearmament goals of the various members, is to insure West Germany's contribution on mutually acceptable terms. Recently introduced objectives, however, which could prejudice rather than contribute to the strengthening of the West's position, are: (1) membership of Greece, Turkey and Spain in NATO, and (2) revision of the Italian treaty. [REDACTED] COMMENT:

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This report illustrates French Foreign Office officials' use of every opportunity for exerting pressure on the US to simplify NATO's immediate objectives. These officials will continue to show their irritation at US proposals of new NATO aims, which they often consider are due to over-eagerness and a tendency toward dictation on the part of the US. Although there have been no indications of any tendency in the French Foreign Office toward a relaxation of the rearmament effort in view of the Soviet proposal, arrangement of an armistice in Korea would render much more difficult the task of French Government leaders who are determined to press on with rearmament.

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